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ARTICLES:

(1) Showa Emperor's statements in memo creating stir; May speed up debate over Yasukuni Shrine issue; Chief Cabinet Secretary Abe: "Decision to pay homage is up to the prime minister"

NIHON KEIZAI (Top play) (Excerpts)
Evening, July 20, 2006

The memo kept by former Imperial Household Agency Grand Steward Tomohiko Tomita in which he recorded the words of the Showa Emperor (Hirohito) expressing strong displeasure with the enshrinement of Tokyo War Tribunal-branded Class-A war criminals at Yasukuni Shrine has created quite a stir in the government and political circles today. Chief Cabinet Secretary Shinzo Abe, asked about whether Prime Minister Junichiro Koizumi would continue to visit the shrine or not, stated, "It will be the prime minister's own decision." Discussion of the propriety of enshrinement and the argument for separate enshrinement is likely now to speed up.

Abe, asked by the press about the Showa Emperor having stopped visiting the shrine after the war criminals were enshrined, explained: "I understand that the matter was dealt with in the Imperial Household Agency after carefully considering various aspects, including the social situation at the time." He made this statement about the memo: "I received a report from the Imperial Household Agency that they were unfamiliar with its contents."

Regarding his own feelings about visiting the shrine, Abe only repeated his stock response about wanting to pay respect to and pray for those who had died fighting for their country. Regarding the propriety of enshrinement of the war criminals and the argument to separate their souls from the shrine, Abe would not reply, saying it was not appropriate for the government to comment on such. Even on

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the notion of building a secular war memorial, he would only go so far as to say, "We must cautiously consider such, so that all the public can go along with it."

The Liberal Democratic Party (LDP) General Council Chairman Kyuma stressed, "The enshrinement should never have happened." Koichi Kato also said, "This will give impetus to the argument for separating the enshrined souls. The best solution is for Yasukuni Shrine to decide on its own to un-enshrine those souls."

Minshuto (Democratic Party of Japan) President Ichiro Ozawa stated, "(The Showa Emperor) seemed to strongly feel the war responsibility of those leaders." Minshuto Secretary General Yukio Hatoyama made this appeal: "At present, one of the reasons when the Emperor cannot pay homage at the shrine is because of the problem of war criminals enshrined there. We must have a national memorial facility where the Emperor can visit."

Hiroshi Imazu, who chairs the LDP's junior Diet members' forum to support Yasukuni visits, sought to constrain the spreading of the argument for separate enshrinement by saying, "The souls cannot be un-enshrined. Even if the order is given, it is technically impossible."

(2) Interview with former Deputy Secretary of State Armitage: US, China should not interfere in Yasukuni issue

SANKEI (Page 1) (Full)
July 20, 2006

Yoshihisa Komori, Washington

In an interview with the Sankei Shimbun, former Deputy Secretary of State Richard Armitage categorically said that it was improper for the Chinese government to call on the Japanese prime minister to forgo visits to Yasukuni Shrine. He also said that the US should not comment on the Yasukuni issue.

Armitage, who served as deputy secretary of state during the first term of the Bush administration, dismissed some Japanese people's view that visits by the prime minister to Yasukuni Shrine have strained relations between Japan and China. He said:

"As commented on by President Bush, 'Japan-China relations are far more complicated than just visits to the shrine,' the controversy Yasukuni issue is not a cause for deteriorating the bilateral relations but a result of the strained relations."

In reference to improvement in Japan-China relations, Armitage emphasized: "Not Japan but China should first consider what it should do."

As the main cause for the strained relations between Japan and China, he cited this geopolitical view: Because Japan and China, neither of which was at advantage in terms of national power in the past, have begun to compete with each other on equal footing, friction has occurred between them. Armitage said:

"Since two countries in Northeast Asia now have almost the same level of power for the first time in history, a number of problems, such as national security and territorial issues, have been generated."

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With reference to the prime minister's visits to Yasukuni Shrine, Armitage listed the following three key points: (1) Japan should determine how to commemorate its war dead, including Class-A war criminals, as even the bodies of criminals are also buried with dignity in the US; human beings cannot easily judge the value of the dead; (2) since China has made use of the Yasukuni issue as a material to pressure Japan, even if the prime minister stops visiting the shrine in response to its demand, China supposedly will pick an argument on another problem with Japan; and (3) although Prime Minister Koizumi stressed that he visits the shrine in the capacity of a private citizen, China does not recognize this concession; this stance underscores that that nation has not focused only on the Yasukuni issue.

Armitage added: "The Chinese government should not urge the Japanese prime minister to give up visits to Yasukuni Shrine," labeling China's demand as improper. He further commented:

"The chief of the government of one country who was elected through the democratic process should not yield to pressure from a non-democratic state. There will be no option for Prime Minister Koizumi to stop visiting the shrine as long as China continues to express opposition."

Regarding Yushukan, the exhibit hall of Yasukuni Shrine, however, Armitage stated: "Descriptions attached to showpieces linked to the war are contradictory to the historical views accepted in Japan and hurt the feelings of Americans and Chinese." In reference to the United States' response, he suggested that the US should stay out of the Yasukuni issue, saying:

"On the Yasukuni issue and how to commemorate the war dead, the US government should not make suggestions to Prime Minister Koizumi and his successor. Unofficial advice or opinions might be acceptable."

(3) 2006 LDP presidential election: Fukuda's next move drawing attention

MAINICHI (Page 5) (Abridged)
July 20, 2006

With the LDP presidential election only two months away, attention is focused on the activities of former Chief Cabinet Secretary Yasuo Fukuda, who is regarded as a strong rival to Chief Cabinet Secretary Shinzo Abe. But in recent months, Fukuda has rarely attended high-profile events, such as parties thrown by lawmakers, and he has kept silent about his candidacy. In contrast to Abe, who has been in the spotlight since North Korea launched its missiles, Fukuda abhors linking diplomatic activities to the presidential race. Veteran lawmakers of other factions supporting Fukuda are visibly perplexed.

In the aftermath of North Korea's missile launches, Fukuda told his

aides: "This is a national crisis. We must not discuss the presidential race at a time like this." Meanwhile, Abe has boosted his presence through his telephone conversations with White House National Security Adviser Stephen Hadley on the UN Security Council resolution and other issues. Opinion polls also clearly show that Abe is way ahead of the media-shy Fukuda. The view is prevalent in the LDP that Abe will win the presidency.

Anti-Koizumi forces envisaging a prime minister Fukuda have begun doubting his eagerness to run in the race. Fukuda has been

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abstaining from attending any parties or lecture meetings since his visit to Indonesia in late June. Appearing on a TBS television program on July 18, former LDP Vice President Taku Yamasaki indicated that Fukuda in the end would not throw his hat into the ring. A senior Yamasaki faction member also ruled out the possibility of Fukuda running in the race, citing his lack of campaign funds.

At the same time, the view is still strong in the LDP that Fukuda is just watching whether or not Prime Minister Koizumi visits Yasukuni Shrine on August 15.

Fukuda, who turned 70 on July 16, told his aides: "I will take things easy." But former Defense Agency Director-General Seishiro Eto noted: "When Takeo Fukuda and Kiichi Miyazawa became prime minister, they were over 70. I think Mr. Fukuda will announce his candidacy around August 20."

Abe to kick off nationwide tour on July 27

Abe will visit various parts of Japan starting on July 27 to discuss with local business leaders the issue of their supporting his "second chance" initiative (by which people who failed in business or other ventures are given a second chance by society to become successful).

The series of events will be sponsored by the Parliamentary League to Support a Second Chance, which Abe chairs. Abe will exchange views with local business leaders in Tokyo, Kyoto, Osaka, and Saitama for a total of five days until August 6.

The league will also host a series of events to exchange views between Abe and local assemblymen at six places across Japan between July 28 and September 2. The first event will take place in Iwate, the home turf of Ichiro Ozawa, president of Minshuto (Democratic Party of Japan).

Abe's book Toward a Beautiful Country (Utsukushii kunie) will come out today. He plans this to serve as the foundation of his political vision.

(4) UNSC resolution and Japan's diplomacy: Japan stands up to North Korea's missile threat in earnest

YOMIURI (Page 13) (Full)
July 19, 2006

Ryuichi Otsuka, New York

On July 15, the United Nations Security Council (UNSC) adopted a North Korea resolution under Japan's initiative. Last year, Japan was frustrated in its bid for a permanent seat on the UNSC. What should Japan learn from the two contrasting experiences?

"It would be fine if we could just get a strong statement from the chairman or a weak resolution." When North Korea was making preparations to fire missiles, a Japanese diplomat posted in New York had such an expectation.

Eventually, the UNSC adopted a resolution of moderate severity. In Japan, some news companies reported that the UNSC had adopted a resolution condemning North Korea for its firing of missiles. However, the UNSC-adopted resolution calls on UN member countries to

prevent missile-related materials and technologies from being transferred to North Korea and to stop money from flowing into that country.

The UNSC resolution is close in substance to a sanctions resolution against North Korea. In fact, the US and European media called it a resolution of limited sanctions or weapons-related sanctions.

Diplomacy is a game to find common ground. In this diplomatic game, one-sided victory or defeat is rare. It is true in particular in an arena of multilateral negotiations like the United Nations. If a country could get 60 points, that would be a good showing. This time around, it may safely be said that Japan got at least 70-80 points. The government can be proud of the result.

Of course, we should abstain from attaching excessive expectations on a single resolution. It does not seem to me that North Korea will mend its ways at once. Even so, it is very significant that the UNSC or all its five permanent members (P-5) including China unanimously adopted a resolution. That is because China can no longer protect North Korea every time it does something reckless.

Furthermore, Japan, declaring the incident a direct threat to its national security, made desperate efforts for the UNSC's adoption of a resolution. In the long run, this experience might be even more significant in itself.

In its draft resolution, Japan referred to Chapter 7 of the UN Charter. Chapter 7 would pave the way for UN members to use armed force. I thought of it then as Japan using this warning as part of its negotiating tactics. Meanwhile, Chief Cabinet Secretary Abe and Foreign Minister Aso continued with their hard-line remarks. Even diplomats on the front could not see their true intent. They grew impatient, thinking that Japan might miss a chance to make a deal. As a result, however, Tokyo made Beijing compromise time and again. If Abe and Aso pretended to be tough in their remarks, I must say their performance was amazing.

Japan has never experienced such developments on the diplomatic front with China over such a serious issue in the security area. It was propped up by the strong determination and will of politicians with the Japanese people standing behind them.

However, Japan has failed to become a permanent UNSC member. In this case, there was something different behind the scenes.

The strategic reason for Japan's frustration is now clear.

The UNSC is used by the United States to negotiate issues affecting its national security, including the Iraq war of three years ago, the Lebanese situation at present, and Iran's nuclear program. As a permanent UNSC member, the United States is usually engaged in a hard offensive and defensive battle—as in the case of Japan standing up to North Korea's missile firing.

Japan, in its proposal to expand the UNSC's membership, advocated electing countries representing various regions and called on the P-5 to accept its proposal. The United States, however, will not accept such overtures. For one thing, a country that may affect the United States' national security might be elected as a permanent member on the UNSC. The United States would resolutely exercise its veto to kill such an idea.

In my view, Japanese politicians and diplomats, as well as Japanese media people including myself, might not have been fully aware of such a severe situation. Moreover, Japan was not ready to go for it. Of course, Japanese diplomats on the front made desperate efforts. Even in the Foreign Ministry, however, at least one official was critical of Japan's approach. Prime Minister Koizumi would not take advantage of his relations with President Bush, and he did not appear enthusiastic enough to make the United States become serious

about Japan's UNSC reform proposal.

If that is the case, it is impossible for Japan to become a permanent member of the UNSC. As Ambassador to the United Nations Kenzo Oshima tends to say, it is as difficult as making a camel to go through the eye of a needle.

However, as Ambassador Oshima has noted, the challenge of North Korea's missile firing this time reminded me of how important it is for Japan to be seated on the UNSC as its member. Japan's term as a nonpermanent UNSC member will expire at the end of this year. After that, Japan will have no choice but to ask the United States to present resolutions and it will need to ask for information about what was discussed in the P-5's closed-door talks. Even so, there is no telling what the US would do. In other words, the United States does not always help Japan in real earnest.

The missile challenge of North Korea can be an opportunity for us to rethink the meaning of becoming a permanent UNSC member. Of course, Japan, if and when it becomes a permanent UNSC member, will have to commit itself to a crisis in faraway countries, such as the Sudan and Lebanon. Is Japan ready to face up to such difficult situations? There will be no way as long as Japan does not make up its mind at its grassroots level.

(5) Defense spending likely to trigger controversy in budget compilation

NIHON KEIZAI (Page 2) (Abridged)
July 20, 2006

Defense spending for fiscal 2007 is likely to spark controversy in the budget compilation process. The Finance Ministry has presented a plan to reduce the defense budget by 1% from the current fiscal year against the trend of frontloading the US force realignment cost and deploying a missile defense system in the wake of North Korea's missile launches. Calls for setting up a budget slot apart from the regular defense spending are likely to gain momentum in the process of making arrangements between the government and the ruling coalition.

The defense budget for fiscal 2006 is 4.8 trillion yen, of which 45% are labor costs, leaving little latitude. The US force realignment costs up to fiscal 2012 is estimated at 3 trillion yen in total, or 500 billion yen annually.

There is an estimate that the deployment of the missile defense system will cost over 1 trillion yen. The government is considering deploying the ground-to-air PAC-3 and the sea-based MS-3 missile systems ahead of original schedule. A shorter deployment period means greater single-year cost.

Financing those systems with the regular defense budget would necessitate the major realignment and streamlining of the Self-Defense Forces' conventional equipment. Defense Agency

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Director-General Fukushima Nukaga has repeatedly asked for a separate budget slot, saying that the country's security concerns not only the Defense Agency.

The Finance Ministry is dismissive of Nukaga's request, thinking that allowing an exception to defense spending would spoil the overall spending-cut plan, which is necessary for restoring fiscal health. The government regards fiscal 2007 as the first year of fiscal reconstruction, aiming to turn the basic fiscal balance into the black in fiscal 2011. The government has set guidelines for budgetary requests for fiscal 2007 lower than those of fiscal 2006, judging that spending cuts would affect future consumption tax hike debates.

US force realignment and the threat of North Korea are directly linked to the country's security. Making adjustments may not go smoothly. The opinion is being heard in the ruling coalition that putting finances ahead of national security is preposterous. Chief Cabinet Secretary Shinzo Abe pointed out the need for the Finance

Ministry and the Defense Agency to discuss the matter first.

The Defense Agency is determined to seek a separate budget in anticipation of backing from the US government. The matter is not simple enough to reach a settlement at the administrative level. The post-Koizumi administration will be pressed to come up with answers to three major challenges: fiscal reconstruction, economic growth, and national security.

(6) Window of the World column by Kazuo Ogura: Japan, US should cultivate universal values first at home

ASAHI (Page 15) (Slightly abridged)
July 19, 2006

By Kazuo Ogura, president of the Japan Foundation

"Japan and the United States stand together... for the advancement of core universal values."

This phrase is found in the first paragraph of the Japan-US joint statement released on June 29. According to that statement, universal values are freedom, human dignity and human rights, democracy, market economy, and rule of law.

A large number of people would agree that Japan and the US share those values. But I wonder whether the two countries are qualified to proudly declare they will advance them in other countries. Their relations with Asian countries in this regard are problematic.

"Asia's historic transformation is underway, creating a region that increasingly embraces the universal values of democracy, freedom, human rights, market economy, and rule of law," the joint statement declares.

I wonder if that is true? Democracy and market economy, from a long-term perspective, seems to be making progress in Asia. But young people in South Korea see the US, not North Korea, as the overwhelming threat. And China may become a stakeholder, but it falls far short of a country that can share values with Japan. In addition, Japan's self-reflection on its past colonial rule and its war responsibility are essential if it intends to share values with the rest of Asia.

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Despite these complex circumstances, Japan and the US appear to be trying to deal with Asia only with the theory of advancing freedom, democracy, and market economy in the region. Well then, what methods are necessary if they actually plan to do so? In order for them to share values with Asian countries, I think it is indispensable for them to do at least two things.

First, Japan, China, and South Korea should make more efforts to share many more perceptions. China needs to advance democratization and respect human rights, and South Korea should break with authoritarianism and ethnocentrism, and Japan should deeply reflect on the past. Japan must refrain from assuming a hypocritical attitude in Asia.

Japan and the US have taken a tough line against North Korea for its missile launches, and this attitude is only natural and a matter of course. The North's missile launching is a menace to the peace and security of the Far East. That country's attitude also dampens the international efforts to grapple with the nuclear proliferation issue. More importantly, the North's missile launches and its response to the abduction issue absolutely go against Japan's creeds of pacifism and democracy, the values Japan has fostered in reflecting on World War II. That's why Japan and the US can assume a tough posture toward North Korea.

Given the present-day international situation, it is almost self-evident that concluding a strategic alliance between Japan and the US is effective and beneficial. It is also self-evident that such an alliance is one that can defend democracy and freedom. But the two countries must deepen those values internally first before

further sharing them.

The US has made no self-examination on its disregard for human rights at the Guantanamo Bay facility, and Japan has failed to cultivate the values of democracy and human rights while reflecting on its past. If these two countries declare they share those values, what they call common values would be viewed as a cloak to conceal the nature of their military alliance or viewed as hypocrisy.

I think the sharing of the values will be advanced only through the sharing of an experience.

Kazuo Ogura: has served in such posts as ambassador to South Korea and ambassador to France; is a special guest professor of Japanese diplomacy at Aoyama Gakuin University; is a member of the Asahi Shimbun think tank, Asia Network; and is 67 years old.

(7) Preparations for beef exports to Japan underway at Creekstone Farms; Authorization to implement blanket cattle inspection has yet to be granted

TOKYO SHIMBUN (Page 3) (Excerpts)
July 20, 2006

Inspections of meatpackers by Japanese government officials are now underway in various parts of the US. The aim of such inspections is to check whether cattle are being properly processed. The inspections are expected to be completed on July 21. If no problems are found, US beef imports will likely resume as early as this month. The reporter visited the actual scene where the cattle are slaughtered.

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Creekstone Farms is located in Kansas, which is known as a major livestock state. Preparations for resuming beef exports to Japan are now underway there.

Since shortly after the embargo was placed on US beef exports this January, the company has increased its on-the-job training, including the removal of specified risk materials (SRM), such as vertebral columns, which are believed to be a BSE disease risk. It is doing its utmost to make its employees familiar with conditions for exporting products to Japan.

Japanese inspectors visited the plant on July 11 and 12. Two inspectors each from the Ministry of Health, Labor and Welfare and the Ministry of Agriculture, Forestry and Fisheries, joined by officials from the US Department Agriculture (USDA), examined the method of slaughtering and shipment records. They checked antibacterial measures against colon bacilli and salmonella, and the method of removing SRM. CEO John Stewart was confident in his management of the plant, noting: "The inspectors did not make any special comment, but I got the impression that the inspections went smoothly. I am optimistic about the outcome." The embargo was placed in December 2003, following the discovery of a BSE infected cow in the State of Washington. Before that, the company had exported more than 20% of its products to Japan.

The company decided to carry out blanket cattle testing similar to the one adopted in Japan. It invested a total of 1 million dollars (approximately 17 million yen) to introduce an inspection system, including the cost of employing inspectors and constructing inspecting facilities.

However, the US government, which insisted in trade resumption negotiations with Japan that there are no scientific grounds for blanket cattle inspections, firmly turned down the company's application for implementing such an inspection method. The company then brought a lawsuit against USDA, seeking authorization for the implementation of blanket testing. Stewart is trying hard to regain trust in US beef in the belief that it is the best way to eliminate anxieties harbored by Japanese consumers. Creekstone is trying to do business in a manner that caters to Japanese consumers. However, such a company is an exception in the US. The top four companies

that are estimated to manufacture more than 80% of processed beef products in the US are opposed to the idea of implementing voluntary blanket cattle testing.

Backed by the beef industry's powerful political clout, the Senate has heightened its pressure on Japan. As part of such a move, it adopted a retaliatory tariff intended to increase levies on Japanese products in the event beef trade does not resume by the end of August.

Interview with Creekstone CEO Stewart

-- Why is the USDA negative toward carrying out voluntary inspections?

"The government sometimes becomes too close to those it regulates, and its thinking becomes about the same as that of the industry. The leading four beef producers, which dominate more than 80% of the market, do not want to implement voluntary inspection, and the USDA listened to them. That is because such inspection costs are high."

-- How much would it cost?

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"It is said that profits a beef processing company makes per head are 170 dollars (approximately 20,000 yen) on average. The production cost is approximately 150 dollars. There would be no profits if a processing company carried out a voluntary inspection, because it would cost 20 dollars per head.

Creekstone thinks that it needs to please its customers. We know that our customers are willing to share that cost. The export share of our products is high, while that of those four companies is low. Their target is the domestic market. It appears that domestic customers are not yet ready to accept blanket testing."

-- How do you intend to guarantee Japanese customers the safety of your products until the lawsuit is over?

"We are searching for every measure except for blanket testing. We are certain we will win the lawsuit. We intend to continue to seek approval of voluntary blanket testing. We can start tests within a week after the court hands down its decision. We will be able to ship self-inspected products to Japan in early November."

(Corrected copy) Budget request guidelines: Defense spending cut 1% ; Government, ruling camp to treat expenses for USFJ realignment as exception

MAINICHI (Page 2) (Almost Full)
July 20, 2006

The government and the ruling parties yesterday agreed to cap the fiscal 2007 general account budget at 46.8 trillion yen. According to the guidelines, growth in social security expenditures will be held to 550 billion yen. Defense-related spending and subsidies to private schools will also suffer a 1% cut from the previous year. Other spending items, such as discretionary expenditures and public-works-related spending, will be slashed 3% from the previous year. As a result, the overall increase over the previous year's budget will be held to 440 billion yen. As part of a plan to jointly reform revenue and expenditures, certain budgetary items have been slated for cuts over the next five years, meaning that the budget request guidelines for fiscal 2007 have been set in a more detailed manner than in the past.

The guidelines set a 220 billion yen cut in public works expenditures from the preceding year and a 140 billion yen reduction in other expenditures, though 200 billion yen was allocated to cover the cost of the Upper House election next summer and 50 billion yen for priority spending items. As a result, general account expenditures will expand by 440 billion yen from the previous year, but the Finance Ministry intends to further cut expenditures in the budget compilation process at the end of the year.

For the promotion of efficiency and prioritization of spending items, the guidelines incorporated a 1% cut in subsidies to public utility corporations, standardizing discretionary contracts with public utility corporations, and reducing subsidies to local governments.

As exceptions to the budgetary cap, the government and the ruling camp will discuss expenses for the USFJ realignment and a revision of child allowances as part of measures to deal with the declining birthrate in a separate framework in the run-up to the year-end budget compilation.

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The government will present the budget request guidelines to the Council on Economic and Fiscal Policy, which is to meet on the 20th, and adopt it at a cabinet meeting on the 21st. Each government agency will submit budgetary requests by the end of August.

SCHIEFFER